

SECTION VII--FOOD SERVICE ACCOUNTING

FOOD SERVICE ACCOUNTING

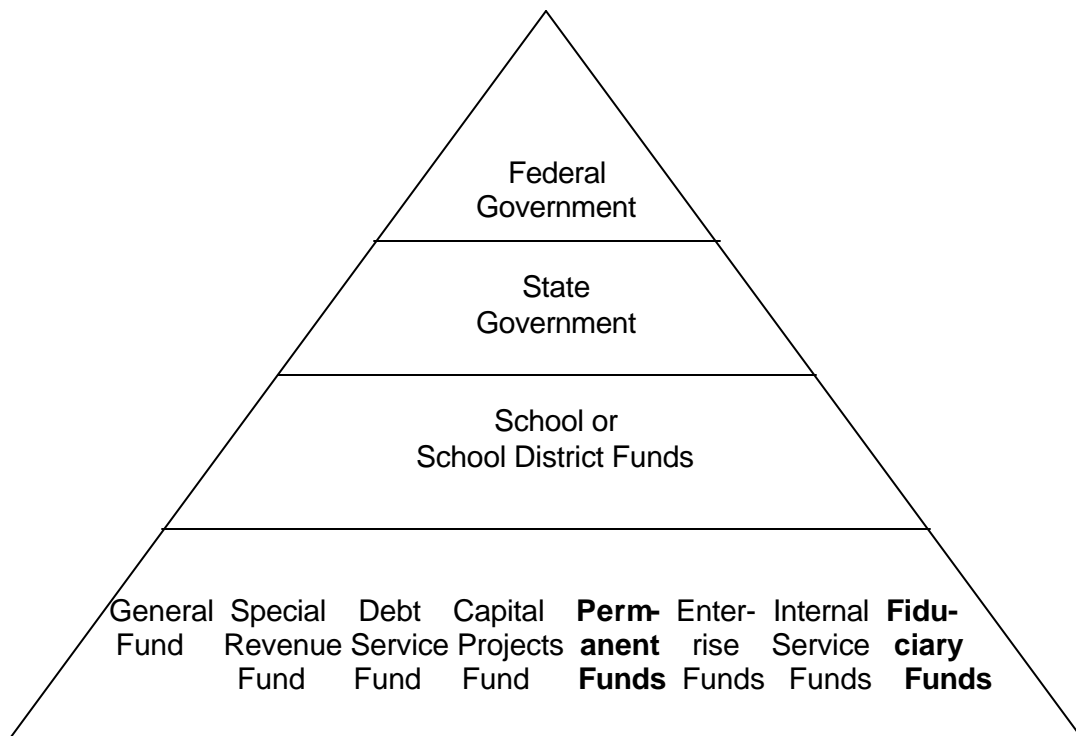
The food service accounting system set forth in this section is patterned after the Simplified System in the School Food Service Financial Handbook for Uniform Accounting (1973) and FNS Instruction 796-1 (1978), published by the United States Department of Agriculture, and the publications referred to in the Introduction Section of this manual. Accounting for the Food Service Fund should be integrated with the regular accounting system.

INTRODUCTION

Generally accepted accounting principals apply to all enterprises, whether large corporations or small enterprises, such as school cafeterias. No matter what their size, cafeterias own assets, owe debts, earn revenue and incur costs. They are required to report these transactions, not only to internal management, but also to a wide range of external parties, including local, state and federal government agencies, school boards and elected legislative bodies, the public (i.e., taxpayers), and the various private enterprises which may extend credit to a food service fund.

Although a school food service fund, and enterprise fund, is a self-contained entity, it is also a system within many other systems. It must be responsive to the parent school district and the state and federal governments and, therefore, is somewhat constrained by its relative position within these systems. This "business" or fund is shown diagrammatically in Illustration 1.

ILLUSTRATION 1



SECTION VII--FOOD SERVICE ACCOUNTING

Given the natural constraints imposed by this hierarchy, school food service operations must have effective management and financial reporting. As a minimum, an accounting system for a school food service fund should perform the following functions:

1. Maintain accurate records of all financial transactions.
2. Allow food service management and school district administrators to effectively maintain a non profit school food service.
3. Enable food service management to submit reports on financial operations to local, state and federal agencies.
4. Ensure that costs are properly applied to the school fund service resources.
5. Ensure that resources are used only for their designated purposes.

This section describes a school food service accounting system which fulfills those needs.

Food Service Books of Account:

The books of account for the school food service fund can be grouped into two categories:

Books of original entry - the journals which are used to record individual transactions as they occur; and

Books of final entry - the ledgers which are used to summarize the transactions recorded in the journals.

Structure of Food Service Accounts:

To operate a food service fund accounting system in a manner that will fulfill the functions mentioned above, it is necessary to use a chart of accounts that will enable the food service accountant to report a true and accurate picture of the financial position and results of operations at various reporting points during the year. This can best be accomplished through the use of a general ledger in conjunction with the chart of accounts. The general ledger summarizes the transactions that have occurred and facilitates financial reporting. See Section III for an explanation and example.

General Ledger Accounts:

The chart of accounts should not only enable the accountant to report results of operations, but also segregate transactions into operating and nonoperating areas. Revenues which are earned through the actual operation of the enterprise are operating revenues (e.g., sale of food). Resources which come from the external sources in the form of interest, grants, shared revenues or nonoperating revenues.

Resources received by a food service operation from within the school district should be reported as transfers or interfund loans. An example of this type of transaction might be a transfer of General Fund resources to the Food Service Fund.

SECTION VII--FOOD SERVICE ACCOUNTING

See Section II for a complete chart of accounts.

Program Accounts:

Program accounts are used to subdivide the revenue and expense accounts. The primary program categories identify the type of meal served, thus assisting in determining reimbursements and expense for each separate food service as required in 7 CFR 210.14 (a-2).

Each time a transaction affects a revenue account, a program account must be used. The subsidiary revenue ledger will accumulate each revenue account separately and will accumulate revenues generated by each program within each revenue account. If used, the special functions program account should be subdivided to identify all special functions separately. Since some revenues are not assignable to any particular meal type, a special miscellaneous revenue program account has been included for use only when it is impossible to assign revenues to other accounts.

The program accounts are used to subdivide the expense accounts through an allocation process discussed later. A definition of each program account follows in the succeeding paragraphs.

Definitions of Program Accounts:

1. National School Lunch, School Breakfast (Regular), and Special Milk:

This account is used to record all sales, reimbursements and expenses assignable to Type A and A la Carte lunches regular and A la Carte breakfasts and milk served to students and adult school personnel in programs as defined in 7 CFR 210, 220, and 215.

2. Severe Need Breakfast:

This account is used to record all sales, reimbursements and expenses assignable to the Severe Need Breakfast Program as defined in 7 CFR 220.

3. Special Programs:

This account is used to record all sales, reimbursements, and expenses assignable to any other programs operated by the School Food Authority including, but not limited to, the Child Care Program, and a congregate Nutrition Program for the Elderly as defined in 7 CFR 226 and 45 CFR 1321.

4. Miscellaneous:

This account is used to record revenue which cannot be assigned to any other program account. An example would be a lump sum payment received for services rendered.

Inventory Management:

An inventory is the supply on hand of particular type of goods or materials at a given time. While many different food and supply items are stored and should be identified by items for reordering purposes, it is convenient to group those items into broad categories by type for accounting and reporting purposes. The following inventory groupings are recommended:

SECTION VII--FOOD SERVICE ACCOUNTING

Food--Purchased

Food--Donated

Supplies--Lunchroom, custodial and office may be inventoried if they are expensed from the central inventory at the time they are received or large quantities are kept on hand.

In reporting a financial position of a school food service fund, two considerations are important in establishing a value for inventories. The first consideration is essentially a question of determining what is physically in the inventory; the second is determining the worth of each item in the inventory. The two different methods for resolving the first consideration are perpetual inventory and periodic physical inventory.

When a physical inventory shows that the actual level of inventory differs from that shown on the inventory record, adjusting entries to the perpetual inventory are required to reconcile the differences. These entries are handled in one of two ways:

The difference is recorded to increase or decrease the cost accounts directly, as if they represented normal withdrawals from or additions to inventory.

The difference is recorded as an increase or a decrease to a special inventory variance cost account. This method is used only when several locations (each responsible for its own costs) used the same inventory and when locations are not to be charged with costs resulting from inventory waste and spoilage.

Since a record of disbursements of USDA donated foods is required, a perpetual inventory is recommended for all food service operations (7 CFR 210 and 250).

Physical Inventory:

The level of inventory is determined by a physical count at the end of each accounting period when using this method. Each addition to an inventory is recorded in a "received" account, but each withdrawal is not recorded. The amount of material used during the accounting period is calculated by subtracting the amount on hand at the end of the period from the amount available during the period (i.e., the beginning inventory plus total purchases).

If this method of inventory control is chosen, a separate disbursement record, such as the food production record, must be maintained and reconciled to the physical inventory periodically.

Inventory Valuation:

The second problem in valuing inventory is determining the worth of each individual item in the inventory. For most items, the actual cost is used. However, this basis cannot be used for donated food. In this case, the value on the order blank from which the food is ordered is used. This value is a moving, weighted average of USDA price lists.

Capital Assets:

A **capital asset** is an asset which generally possesses three attributes:

- (a) tangible in nature
- (b) a life longer than the current fiscal year

SECTION VII--FOOD SERVICE ACCOUNTING

- (c) a significant value

Once an asset has been identified as a **capital** asset, it should be recorded in the accounting system. The record format for recording **capital** assets may vary depending on whether a manual or an automated system is used. Several options are available in determining the type of **capital** asset record to be maintained (e.g., computer listing, book ledger, manual listing or card ledger). However, the information contained in the record should provide for (1) class code, (2) description, (3) cost basis, (4) date of acquisition, (5) voucher number, (6) vendor, (7) fund and account, (8) method of acquisition, (9) location, (10) custody, (11) disposition and date, and (12) identification number. The **capital** asset accounting record should also provide a means of perpetually updating the asset listing to account for new acquisitions, deletions, transfers and capitalizable additions or improvements.

Capital assets should be recorded at original cost, or if the original cost cannot be ascertained, then estimated original cost should be used. Donated **capital** assets should be recorded at their estimated fair value at the time received.

Physical assets should be identifiable in such a manner that when an asset is destroyed or disposed of it may be removed from the listing, thus adjusting the dollar amounts to properly reflect the amount invested in **capital** assets. The identification system will also allow a verification of the recorded assets with a periodic physical inventory.

Depreciation of Capital Assets:

Capital assets recorded in the Food Service Fund are required to be depreciated. As a result, the **capital** asset records should also identify (a) estimated useful life, (b) salvage value, (c) depreciation rate, (d) current year's depreciation, (e) accumulated depreciation, and (f) book value, for each recorded **capital** asset.

Food Service Source Documents:

Effective fiscal control in school cafeteria accounting systems depend upon the use of properly executed and approved source documents to initiate financial transaction. Source documents record the details behind individual transactions, thus providing information necessary for current financial decision making, as well as for historical traceability. Source documents permit a means for determining responsibility for individual transactions and also permit a system of checks and balances among food service employees. Although it is important that source documents be complete, they should not be cumbersome; moreover, only "need to know" information should be collected on these document; i.e., information which is necessary for state and federal reimbursement or for management decisions.

The source documents required for a basic food service financial management system are listed and described below.

Employee Time and Attendance Sheet:

The employee time and attendance sheet is used to record labor hours and labor costs. The document is used by each employee to record the amount of time worked on each activity during a pay period. Each employee should record the number of hours worked in each program or type of meal (e.g., type A lunch).

SECTION VII--FOOD SERVICE ACCOUNTING

Purchase Order:

The use of purchase orders is important in maintaining budgetary control over a school district's food expenditures and in maintaining visibility for future financial requirements. Purchase orders record items or services being requested, their cost, the name of the vendor being used, and the date of delivery or performance. In addition, the purchase order may indicate the reason for the order and the appropriate expense account. The order should be signed by the person initiating it. **Purchase orders are illustrated in Section III of this manual.**

A duplicate copy of the purchase order or a stub at the bottom of the purchase order form (receiving stub) may be used by the purchaser to record either partial or final receipt of goods or services which had been ordered. The receiving stub is transmitted to the accounting department to verify the receipt of goods or services before paying the vendor.

Payment Voucher:

Payment vouchers are internally prepared source documents which are used for authorizing payments. School claim vouchers are illustrated in Section III of this manual.

Cash Receipt:

The cash receipt records all cash received in the Food Service Fund. Each cash receipt indicates the purpose of the receipt, the source of the revenue, and the form of the revenue (i.e., check, cash, or money order). Daily cash receipts are summarized on the cash receipt summary form, or other food service report form, which serves as the basis for making entries into the cash receipt journal and for preparing bank deposit slips for the business manager's account. **Cash receipts are illustrated in Section III of this manual.**

Daily Participation Report:

The participation report is used by employees in the food service line (usually cashiers) to account for the number and type of meals served. These figures are posted daily and totaled at the end of each accounting period (usually at the end of a calendar month) to prepare a participation report. Figures are accumulated on the number of pupil and adult meals served and on the number of full price, free and reduced price meals (breakfasts and type A lunches special milk servings (in terms of half-pints) and a la carte meals.

State Claims for Reimbursement:

This report is a consolidation of individual participation work sheets at the district level to report meal statistics to the state or federal government. These report forms are furnished by the Child and Adult Nutrition Section of the Division of Education.

Elements of the Accounting Cycle Summarized:

Journalizing, posting and financial statement concepts have been discussed. These subjects are all major elements of the cycle of accounting activities. Put into the proper sequence, these and the remaining stages of the cycle are as follows:

1. **Source Documents:** Transaction data is recorded on source documents by operations personnel. These forms range from payroll attendance sheets to reimbursement claim forms.

SECTION VII--FOOD SERVICE ACCOUNTING

2. Journalizing: Journalizing involves entering transactions into one of the journals described in **section III of this manual**.
3. Posting: Posting involves entering journalized transactions into the general ledger and subsidiary ledgers.
4. Trial Balance: A trial balance is prepared to test bookkeeping accuracy and to aid in the preparation of financial statements.
5. Work Sheet: A work sheet may be prepared at the end of a particular accounting period as a document to assist the accountant in preparing the financial statements.
6. Adjusting Entries: Entries are made to correct previous accounting errors and affect accrual amounts, bad debts or depreciation. These entries are journalized and posted in the same manner as transactions.
7. Closing Entries: The closing entries bring the balances of the revenue and expense accounts to zero to allow the accumulation of similar information in the next period. The net result is entered into the fund balance account. (This step is usually accomplished at the end of the year.)
8. Financial Statements: After all accounts are adjusted and up to date, the financial statements (e.g., balance sheet and operating statement) are prepared.

ALLOCATION OF COSTS AND EXPENSES

Concept of Full Costing:

Cost allocation is the process of identifying and assigning costs to the "product" for which the costs have been incurred. In the case of school Food Service Fund accounting, the "product" can be viewed as the particular type of meal served (program). Costs are also allocated to school locations so that complete operating reports can be prepared.

The school Food Service Fund accounting system is predicated on the concept of full costing. This means that all costs, whether incurred directly by the school or program or indirectly on behalf of the school or program, should be charged to it.

Purpose of Full Costing:

There are two primary reasons for using the full costing method of accounting. Only by recording all costs chargeable to a fund or program can management properly control the school Food Service Fund's total operating. For example, to make decisions, such as the normal price charged for meals, without full cost data could result in setting the price of meals too low or too high.

The second reason for using full costing is that many indirect costs of a school Food Service Fund, or of particular programs, are reimbursable by other funds and governmental agencies. Therefore, the accounting system must provide sufficient data to ensure the appropriate amount of reimbursement.

SECTION VII--FOOD SERVICE ACCOUNTING

Types of Cost Allocations:

There are two kinds of costs: direct and indirect. Direct costs are easily identifiable to the program in which they are incurred. Those costs which are part of cost of sales --labor and raw materials (food)--are always direct costs.

Allocation computations may be needed to assign costs incurred by all of a school district's funds on behalf of the school Food Service Fund. Both direct and indirect costs may be allocated within a program to subprograms or locations. School food service accounting required program accounting for certain food services. The South Dakota Department of Education calculates and "indirect costs" rate that may be used for cost allocation purposes.

Costs may be combined for the National School Lunch Program, including A la Carte, the regular School Breakfast Program and the Special Milk Program. Separate program cost allocations are required for the Severe Need Breakfast Program, the Nutrition Program for the Elderly and any other separate feeding operation.

General Allocation Procedures:

Some costs are easily identifiable with the school location or program for which they are incurred; however, many are not. Some costs are incurred for all school locations and all programs simultaneously (e.g., accounting services). Some costs may be identifiable to a particular location but not readily identifiable to specific programs at that location (e.g., the cost of equipment used to prepare food for all programs at a single school location). Other costs may be identifiable to specific program but not to specific locations (e.g., printing and distributing weekly district-wide menus for a particular type of meal).

To provide school district and school Food Service Fund management with sufficient information to manage the total food service operation properly and to prepare claims for the maximum reimbursements to which the fund is entitled, all of the costs mentioned above should be allocated to the various school programs for which they were incurred. The allocation process involves determining a reasonable distribution of costs to the program and cost accounts for which the cost was incurred. Allocation by location may occur if desired.

Recording Allocations to Programs:

When allocating to programs, the allocation takes place while reports are being prepared. The allocation process involves dividing the general ledger account balance among the various locations or programs to complete the reports.

Allocation Checklists:

When preparing reports, a work sheet checklist such as that shown in Illustration 2 will be useful for allocation purposes. Illustration 2 shows the basis for allocation of costs to programs.

Several of the allocation procedures require the use of figures from an operating statement. The most recent operating statement for the year-to-date should be used as the source for such figures. In this way, the effect of monthly fluctuations will be minimized, and a more reasonable allocation of costs will result.

SECTION VII--FOOD SERVICE ACCOUNTING

ILLUSTRATION 2

CHECKLIST FOR ALLOCATING COSTS TO PROGRAMS

Cost Element	Allocation Basis	Allocation Accomplished											
		J	F	M	A	M	J	J	A	S	O	N	D
Cost of Food Sold	Standard Meal Costs												
Indirect Labor	Direct Labor Cost												
Laundry and Linen	Direct Labor Hours												
Trash Removal	Cost of Food Sold												
Extermination	Cost of Food Sold												
Accounting Services	Total Revenue												
Computer Services	Total Revenue												
Transportation Charges	Cost of Food Used, or Total Revenue												
Training	Number of Meals Served												
Utilities	Number of Meals Served												
Repairs and Maintenance	Number of Meals Served												
Professional and Technical Services	Number of Meals Served												
Rentals	Number of Meals Served												
Printing and Binding	Number of Meals Served												
Miscellaneous Purchased Services	Total Revenue												
Depreciation Costs	Number of Meals Served												
All Other	Total Revenue												

SECTION VII--FOOD SERVICE ACCOUNTING

Type of Service	Basis for Allocations	
	Basis of Allocation from Other School District Funds to the School Food Service Fund	Basis of Allocation in School Food Service Fund to Other Programs
Laundry and linen	average daily participation calculated as a percentage of average daily attendance	number of personnel served
Trash removal	average daily participation calculated as a percentage of average daily attendance	cost of food sold in each program
Extermination	average daily participation calculated as a percentage of average daily attendance	percent of total participation
Accounting services	number of transactions processed for the Food Service Fund (If data is not available, use total dollar volume of the Food Service Fund.)	number of transactions processed (If data is not available, use the total dollar volume.)
Computer services	total revenue of the Food Service Fund	percent of total participation
Transportation charges	cost of food service (includes leased or purchased vehicles calculated as a percentage of the total cost of school district vehicles)	the number of miles between the school location and the point from which delivery is made (for regular uses, such as delivery of food from a warehouse to preparation sites) (For all other service, use the actual miles or hours used by each program.)
Training	training only allocated when personnel not assigned to a particular location are involved (In such cases, the total school district labor cost is calculated as a percentage of the total school district labor cost and should be used as the allocation basis.	direct labor cost
Utilities	number of square feet of occupied floor space	percent of total participation
Repairs and maintenance	number of hours actually used	percent of total participation

SECTION VII--FOOD SERVICE ACCOUNTING

Type of Service	Basis of Allocation from Other School District Funds to the School Food Service Fund	Basis of Allocation in School Food Service Fund to Other Programs
Professional and technical services	number of hours actually used, dependent upon the type of service purchased (Total direct food service hours calculated as a percentage of total district labor hours is suggested.)	dependent upon the type of service purchased (Direct hours are the best basis, but other bases, such as number of meals served will result in a reasonable allocation.)
Rentals	usually do not require allocation (When they do, the basis depends upon the type of rental involved; e.g., hours of use, space required, number of transactions or total Food Service Fund revenue.)	usually will not require allocation
Printing and binding	a percentage of total school district revenue when it is not a direct charge to a school Food Service Fund	number of direct hours, job basis or number of pages may be used
Miscellaneous	a percentage of total school district revenue when it is not a direct charge to a school Food Service Fund	percent of total meals

SECTION VII--FOOD SERVICE ACCOUNTING

ILLUSTRATION 3A

A LA CARTE EQUIVALENTS

Ala Carte Equivalent - contains all sales of individual food items. Equivalents are most frequently determined by dividing total sales by the amount of a full price adult meal. For example:

$$\text{Total A la Carte Sales} \div \text{Adult Meal Price or average sale}^* = \text{A la Carte Equivalent Meals}$$
$$\$100 \div \$2.00 = 50 \text{ A la Carte meals equivalent to 50 reimbursable meals}$$

ILLUSTRATION 3B

ALLOCATION OF COST OF FOOD SOLD BY MEAL TYPE

1. Sales:

Breakfasts	100
Lunches	500
A la Carte Equivalent Meals	200

Total	800
2. Standard Food Costs: At least one month's actual food costs are recorded to determine standard food costs per meal.
Breakfast \$.52, Lunches \$.72, A la Carte \$.75

Total standard cost of food sold:
(100 breakfasts x \$.52) = \$52.00
(500 lunches x \$.72) = \$360.00
(200 A la carte x \$.75) = \$150.00

Total \$562.00
3. Percentages of Standard Costs by Meal:
Breakfast \$ 52.00 divided by \$562.00 = 9.25%
Lunch \$360.00 divided by \$562.00 = 64.06%
A la Carte \$150.00 divided by \$562.00 = 26.69%
4. Total Actual Cost of Food Sold: \$590.75
(Taken from Operating Statement and includes donated food.)
5. Allocation of Total Actual Cost by Meal Type:
Breakfast 9.25% x \$590.75 = \$ 54.64
Lunch 64.06% x \$590.75 = \$378.43
A la Carte 26.69% x \$590.75 = \$157.68
6. New Standard Cost Allocation

SECTION VII--FOOD SERVICE ACCOUNTING

STANDARD COSTS

To allocate the appropriate cost for each meal or program, standard meal costs must be used. The standard meal costs is the average expected cost of food sold, labor and other expense for a particular type of meal. The components of cost of food sold, labor and other expense must be computed separately. They may be allocated separately or combined as one meal cost. Illustration 3B may be used for allocation of one standard meal cost or allocation by each component of the meal cost.

Standard Costs:

Standard costs are used when there is difficulty involved in separating direct costs. A standard cost is reconciled to actual cost annually. Determinations of standard costs are also made annually.

Cost of Sales:

To determine standard food costs (costs of sales), an actual cost analysis must be done for a menu cycle (usually one month to six weeks). Production records from each kitchen will provide the quantities of food which must be priced to determine the cost of each menu. The cost of the menus are then averaged to arrive at standard cost of sales.

Labor:

A time study must be completed to determine standard labor costs for each type of meal served. Illustration 10 provides a summary worksheet for allocating labor hours and dollars to determine the cost of labor per meal served. Remember that allocated costs are required for some programs; i.e., Severe Need Breakfast, and not for others. Separate meals costs and revenues are not required for an A la Carte Program, but are almost a must as a management tool to assure appropriate pricing.

Other:

Other costs, which cannot be applied directly to arrive at a standard meal cost, may be determined by using the percent of total food cost arrived at in determining cost of sales allocations. See Illustration 3B, item 3.

SECTION VII--FOOD SERVICE ACCOUNTING

ILLUSTRATION 4

PROGRAM DISTRIBUTION (LABOR) WORKSHEET

Period _____	to _____		School _____								
	Breakfast		Lunch		Special Milk		A la Carte		Special Functions		Total Amts
	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	
A	B	C	D	E	F	G	H	I	J	K	L
J. Bailey	20	57.75	20	57.75	5	14.44	20	57.75	15	43.31	231.00
A. Rose	20	28.84	40	57.68	4	5.77	10	14.42	6	8.65	115.36
N. Benjami	10	36.06	40	144.24	5	18.03	20	72.12	5	18.03	288.48
F. Julien	20	78.12	20	78.12	5	19.53	20	78.142	15	58.59	312.48
B. James			60	216.36			20	72.12	10(ot)	54.09	342.57
TOTALS (3)		200.77		554.15		57.77		294.53		182.67	1,289.89(4)
% OF TOTAL COSTS		15%		43%		5%		19%		14%	100%
(5)											
EMPLOYER'S FICA (6)		9.64		27.62		3.21		14.78		9.00	64.25
											(7)
MEDICAL INSURANCE		1.88		5.37		.63		2.87		1.75	12.50
UNEMPLOYMENT INS		.75		2.15		.35		1.15		.60	5.00
LIFE INSURANCE		3.00		8.60		1.00		4.60		2.80	20.00
PREMIUM											
TOTALS BY PROGRAM		216.04		597.89		62.96		317.93		196.82	1,391.64
(8)											(9)
TOTAL MEALS FOR PERIOD											
(10)											
STANDARD LABOR COSTS											

- (1) Enter the name of each employee, the number of hours reported in each program, and the total pay for these hours. All overtime hours and pay should be so identified.
- (2) Calculate the total gross pay for each employee by adding the pay for each program. Make the necessary corrections to ensure that this amount is equal to the employee's gross pay.
- (3) Calculate the total pay for each program for all employees.
- (4) Calculate the total gross pay for the pay period ensuring that the gross pay be program is equal to the gross pay for employees.
- (5) Calculate the percentage of total cost of each program by dividing the total gross pay into the total for each program, ensuring that the sum of the percentages is equal to 100 percent.
- (6) Calculate the amount of each employer contribution allocated to each program by multiplying the percentage of the total by the total contribution.
- (7) Add the amounts allocated to each program. Make corrections to ensure that this sum equals the actual cost.
- (8) Calculate the total payroll (labor) cost for each program.
- (9) Calculate the total payroll cost, ensuring that the sum of the gross pay, plus employer contributions, equals total program costs. This amount should equal the deposit made in the payroll checking account.
- (10) Divide program totals in (8) by meal totals in (10) to arrive at the standard labor cost per meal.

SECTION VII--FOOD SERVICE ACCOUNTING

FINANCIAL STATEMENTS

There are three required financial statements that will be used by the school district for the Food Service Fund. The required financial statements are:

- A. The Balance Sheet
- B. The Statement of Revenues, Expenses and Changes in Fund Net Assets (prior to GASB 34 implementation, this statement was called the Statement of Revenues, Expenses and Changes in Retained Earnings)
- C. The Statement of Cash Flows

These required financial statements are explained in Section 13 of this manual.

STATEMENT OF OPERATIONS BY PROGRAM

The statement of Revenues, Expenses and Changes in Fund Net Assets by Program, also known as the Statement of Operations, must be prepared for school districts which have the Severe Need Breakfast Program. The Statement of Operations must be prepared to separate the operations between the Severe Need Breakfast (Program 02), National School Lunch (Program 01), Special (Program 03) and Miscellaneous (Program 04) if they are conducted. This statements should be prepared at the end of December and at the end of June and should be submitted to the Department of Education.

A sample Statement of Operations prior to GASB 34 implementation is shown as Illustration No. 5 and a sample Statement of Operations for those entities implementing GASB 34 is shown as Illustration No. 6.

SECTION VII--FOOD SERVICE ACCOUNTING

ILLUSTRATION 5

Entities Prior to GASB 34 Implementation FOOD SERVICE FUND STATEMENT OF OPERATIONS BY PROGRAM For the Fiscal Year Ended June 30, 20__

	Revenue and Expense Classification	Enterprise Funds		
		Severe Need Breakfast	School Lunch	Other
Operating Revenue:				
Sales: To Pupils	1610			
To Adults	1620			
A la Carte	1630			
Nutrition Program for Elderly (NPE)	1640			
Child Care Food Program	1650			
Other	1660			
Total Operating Revenue				
Operating Expenses:	2560			
Salaries	100			
Employee Benefits	200			
Purchased Services	300			
Supplies	410			
Cost of Sales - Purchased Food				
Cost of Sales - Donated Food				
Miscellaneous	690			
Depreciation: Local Funds	910			
Federal Funds	920			
Total Operating Expenses				
Operating Income (Loss)				
Nonoperating Revenue (Expense)				
Local Sources:				
Interest Revenue	1500			
Rentals	1910			
Gain (Loss) on Disposal of Fixed Assets	1930			
Local Donations	1670			
Miscellaneous	1690			
Interest (Expense)	(620)			
State Sources:				
Cash Reimbursement	3810			
Other Cash Payments	3820			
Federal Sources:				
Cash Reimbursement	4810			
Donated Food	4820			
Other	4900			
Total Nonoperating Revenue				
Transfers:				
Transfers In	5110			
Transfers Out	(8110)			
NET GAIN (LOSS) THIS PERIOD				

SECTION VII--FOOD SERVICE ACCOUNTING

ILLUSTRATION 6 ENTITIES IMPLEMENTING GASB 34 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM FOOD SERVICE FUND

For the Fiscal Year Ended June 30, 20__

	Severe Need Breakfast	School Lunch	Other
Operating Revenue:			
Sales:			
1610 To Pupils			
1620 To Adults			
1630 A la Carte			
1640 Nutrition Program for Elderly (NPE)			
1650 Child Care			
1660 Other			
1510 Interest Earned (Trust Only)			
1920 Contributions/Donations			
1970 Self-Insurance Premiums			
Total Operating Revenue			
Operating Expenses:			
2560 Food Service			
100 Salaries			
200 Employee Benefits			
300 Purchased Services			
400 Supplies			
461 Cost of Sales - Purchased Food			
462 Cost of Sales - Donated Food			
690 Miscellaneous			
910 Depreciation-Local Funds			
920 Depreciation-Federal Assistance			
Total Operating Expenses			
Operating Income (Loss)			
Nonoperating Revenue (Expense)			
Local Sources:			
1510 Investment Earnings			
1910 Rentals			
1931 Gain on Disposal of Capital Assets			
1670 Local Donations			
1690 Miscellaneous Revenue			
810 Loss on Sale of Capital Assets			
820 Loss on Damage to Capital Assets			
620 Interest (Expense)			
680 Miscellaneous Expense			
State Sources:			
3810 Cash Reimbursements			
3820 Other Cash Payments			
Federal Sources:			
4810 Cash Reimbursements			
4820 Donated Food			
Total Nonoperating Revenue (Expense)			
Income Loss Before Contributions and Transfers			
Capital Contributions			
5110 Transfers In			
(8110) Transfers Out			
Change in Net Assets			

SECTION VII--FOOD SERVICE ACCOUNTING

Net Cash Resources Report:

This report is necessary to determine the cash position of the Food Service Fund and federal regulatory compliance with nonprofitability (7 CFR 210.9 (b) (2)).

A nonprofit school Food Service Fund must not exceed more than three months' "net cash resources," to maintain nonprofitability. Net cash resources means all monies that are available to or have accrued to the school Food Service Fund at any given time, less current accounts payable. The current asset and liability accounts from your balance sheet which comprise net cash resources are shown in Illustration 15.

Three months' operating expenses are determined by the number of months the food service operates, rather than the calendar year. To determine your allowed level of nonprofitability use the following formula:

$$\text{Prior School Year Total Operating Expenses} \div \text{Number of Months of Operation} \times 3 = \text{Allowable Net Cash Resources (NCR)}$$

* Exclude indirect costs

Example:

$$\$20,000 \text{ Total Operating Expenses} \div 9 \text{ months} \times 3 \text{ months} = \$6,667 \text{ NCR limit}$$

ILLUSTRATION 15 NET CASH RESOURCES

School District _____ As of _____, 20____
Month/Date

CASH RESOURCES	
Cash/Cash and Deposits	\$ _____
Passbook Savings	_____
Savings Certificates	_____
Accounts Receivable	_____
Due from Federal Government	_____
Due from State Government	_____
Total Cash Resources	\$ _____
Less Current Liabilities	_____
Accounts Payable/Vouchers Payable	_____
NET CASH RESOURCES	\$ _____